

Presentation by Dr. Peter R. Huessy,
President, GeoStrategic Analysis and
Senior Defense Consultant,
National Defense University Foundation

Precision Strike Association,
February 23-24, Ft. Walton Beach, Florida:
“Middle East Prospects, Oil and Missiles,
Defense Threats, and US Defense
Spending”

Outline

- I. The Middle East: Some History, Roots of Terrorism, New Emerging Threats....
- II. Ballistic Missiles...Proliferation and US Response
- Precision Guided Weapons...role in counter terrorism
- III. Cars to China to OPEC to Terrorists...US Energy Policy

PART 1: The Middle East

- Some History...
- Terrorist Roots...
- Linking Geography, Military Technology, Demography and Social Networking
- Some Precision Strike Lessons.....

A Reminder of the Roots of Terrorism

- According to the Soviet Roots of Terrorism:
- “The PLO was dreamt up by the KGB, which had a penchant for “liberation” organizations. There was the National *Liberation* Army of Bolivia, created by the KGB in 1964 with help from Ernesto “Che” Guevara. Then there was the National *Liberation* Army of Colombia, created by the KGB in 1965 with help from Fidel Castro, which was soon deeply involved in kidnappings, hijackings, bombings and guerrilla warfare. In later years the KGB also created the Democratic Front for the *Liberation* of Palestine, which carried out numerous bombing attacks on the “Palestinian territories” occupied by Israel, and the “Secret Army for *Liberation* of Armenia,” created by the KGB in 1975, which organized numerous bombing attacks against US airline offices in Western Europe.”

Terrorist States Yesterday and Today...

- The major state sponsors of terror are Iran, Syria, Libya, Saudi Arabia, Yemen, Somalia...financing, sanctuary, training, arming
- Afghanistan under the Taliban and Iraq under Saddam primary state sponsors of terrorism
- Their affiliated terrorist groups include Hamas, Hezbollah, the Taliban, Abu Sayef, Al Qaeda, Islamic Jihad, FARC....

The Shrinking Geography...

- One force that is shrinking the map of Eurasia is technology, particularly the military applications of it and the rising power it confers on states. In the early Cold War, Asian militaries were mostly lumbering, heavy forces whose primary purpose was national consolidation. They focused inward. But as national wealth accumulated and the computer revolution took hold, Asian militaries from the oil-rich Middle East to the tiger economies of the Pacific developed full-fledged, military-civilian postindustrial complexes, with missiles and fiber optics and satellite phones. These states also became bureaucratically more cohesive, allowing their militaries to focus outward, toward other states. Geography in Eurasia, rather than a cushion, was becoming a prison from which there was no escape. (Kaplan, *The Revenge of Geography*, 2009)

Begin With Destructive Arsenals: Ballistic Missiles

- Now there is an “unbroken belt of countries,” from Iran to North Korea, **which are developing ballistic missiles and destructive arsenals**. A map of these countries’ missile ranges shows a series of overlapping circles: Not only is no one safe, but a 1914-style chain reaction leading to wider war is easily conceivable. **“The spread of missiles and weapons of mass destruction in Asia is like the spread of the six-shooter in the American Old West,”** Yale professor Bracken writes—a cheap, deadly equalizer of states.
- Ballistic Missiles allow rogue and state sponsors of terror to intimidate and influence regime behavior throughout the heartland.....

Add Population Growth....

- The other force driving the revenge of geography is population growth, which makes the map of Eurasia more claustrophobic still....
- Egypt's 40 million people of 1977 is now 83 million people just as Pakistan's 75 million is now 180 million
- Each country had USAID programs of “family planning” which means if you are going to have catastrophic levels of population you might as well plan to do so on purpose....

Add Social Networks Technology...Stir and Presto....

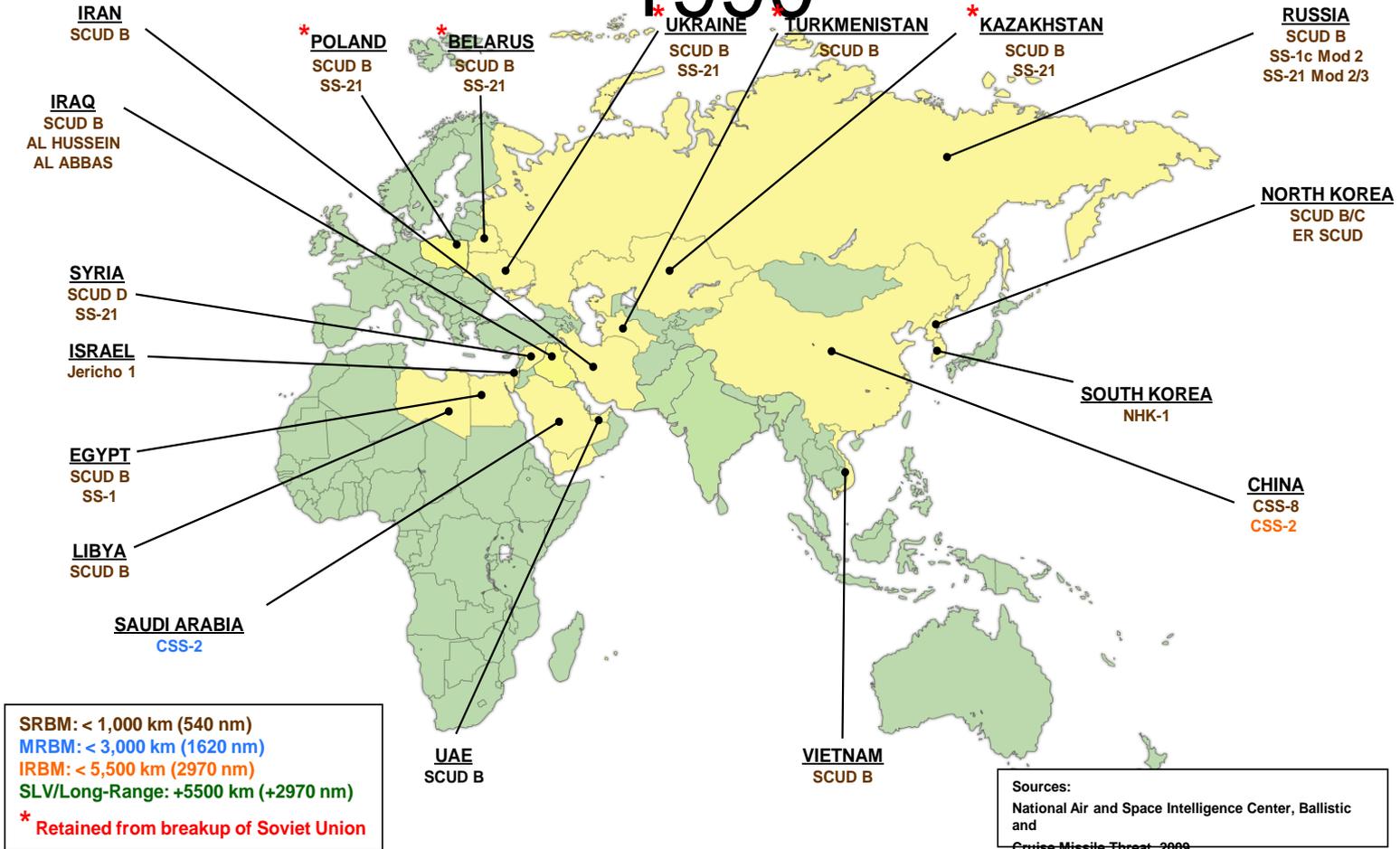
- Eurasia of vast urban areas, overlapping missile ranges, and sensational media will be one of constantly enraged crowds, fed by rumors transported at the speed of light from one Third World megalopolis to another...
- It is in the cities of Eurasia principally where crowd psychology will have its greatest geopolitical impact. Alas, ideas do matter. And it is the very compression of geography that will provide optimum breeding grounds for dangerous ideologies and channels for them to spread.

Kaplan, The Revenge of Geography, 2009

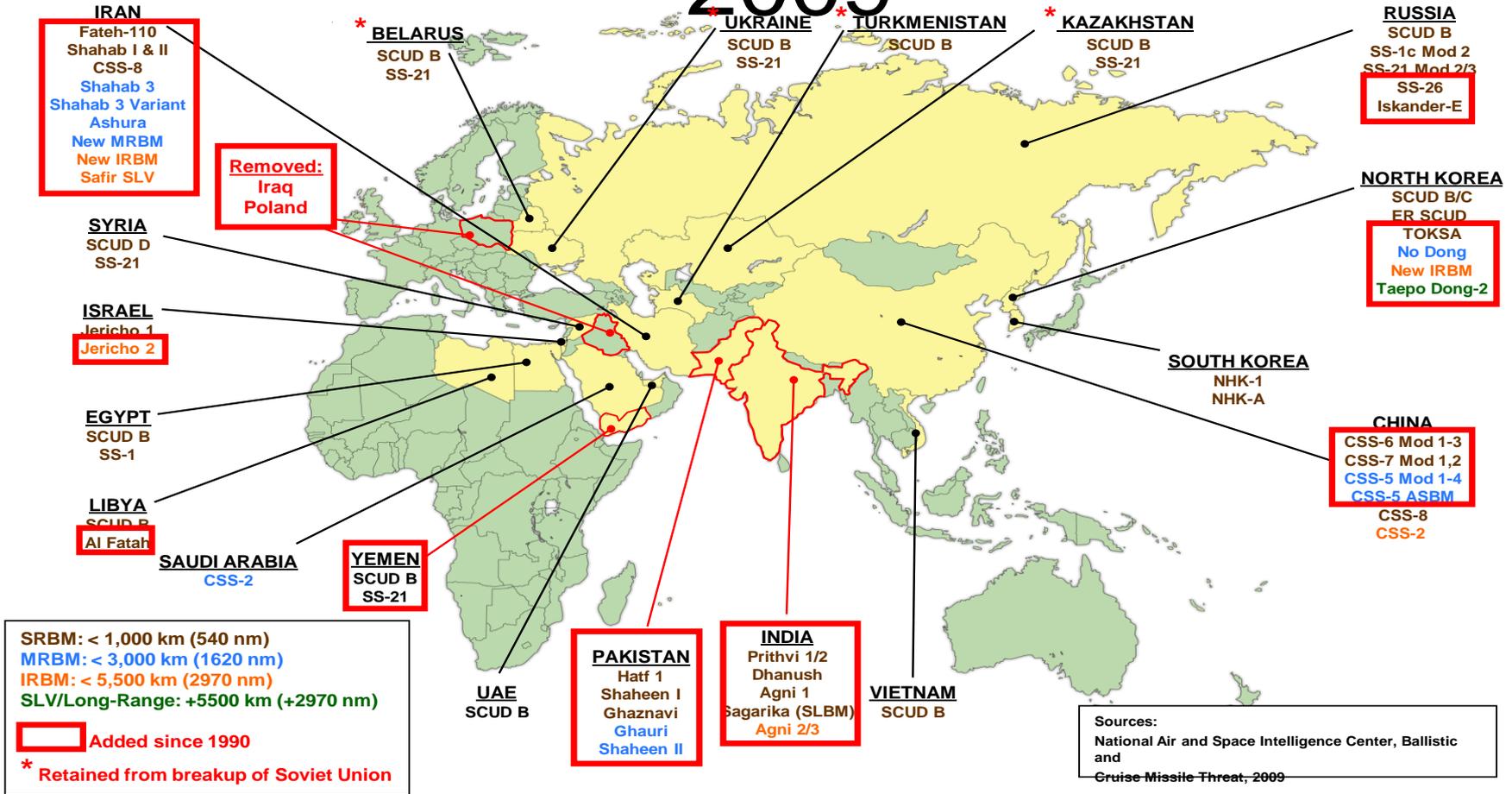
Part 2

- Ballistic Missile Threats....
- US Response
- EMP and Grid Protection...

Ballistic Missile Proliferation: 1990



Ballistic Missile Proliferation: 2009



EMP Missile Threats

- 1998 Iran tests of EMP type missile launch in the Caspian....“World without America”
- Rumsfeld Report says EMP highest threat
- US Congressional EMP Commission report
- 300-400 K of US Coast, detonated at 70-120k altitude. Everything from Atlanta to New York shuts-down...

US Response

- Grid Protection Act Passed House unanimously in 2010....
- HR 668 Introduced by Congressman Trent Franks in 2011...
- Cost of \$400 million or \$1.33 per America, or 1/1000th of your utility bill of \$400 billion annually, or 44cents per month per family, all 12,000 transformers protected....

PART 3: Energy Policy: From Dependence to Independence

- Part III: Energy Implications of Mid-East Turmoil...
- Energy Realities
- Energy Solutions...
- Open or Flexible Fuel Standard
- Leader: Congressman Roscoe Bartlett

Energy Prospects

- IEA World Energy Outlook 2010
- Executive Summary
- Excerpts:
- **“Crude oil output reaches an undulating plateau of around 68-69 mb/d by 2020, but never regains its all-time peak of 70 mb/d reached in 2006.”**

Energy Prospects

- **“Crude oil output reaches an undulating plateau of around 68-69 mb/d by 2020, but never regains its all-time peak of 70 mb/d reached in 2006.”**
- **“Total OPEC production rises continually through to 2035 in the New Policies Scenario. The increasing share of OPEC contributes to the growing dominance of national oil companies: as a group, they account for all of the net increase in global production between 2009 and 2035.”**

Energy Money Flows

- United States motorists, truckers and air passengers borrow \$474 billion a year from the Chinese...
- We send the money overseas to OPEC and non-OPEC oil producers...
- Iran, Venezuela, Russia, Libya are state sponsors of terrorism, use the funds to sustain, train and arm terrorists...
- This is equivalent to 90% of what we now spend on the base Defense Department Budget**
- **Which is what we will talk about tomorrow!

Oil Shocks & US Recessions

- The oil shock of 2008 didn't just throw 5 million Americans out of work, it made many of them default on their home payments, and thus destroyed the value of the mortgage-backed securities held by America's banks...
- This, in turn, threatened a general collapse of the financial system, with a bailout bill for \$1.6 trillion sent to the taxpayers as a result.
- Now oil is again at \$100 a barrel, and Iran, the current president of OPEC, has already announced that it has no intention of convening the cartel a minute before oil reaches \$120.

More ME and Energy

- Almost 80% of conventional world oil reserves are controlled by the oil cartel OPEC. Three quarters of world oil reserves are in countries in which radical Islam is on the rise.
- What insanity to allow automakers to, in effect, collude with the OPEC oil cartel, by not opening the 12 million new vehicles that annually roll onto US roads to fuel competition.
- Every one of those cars has an average street life of seventeen years, which means that the minute it leaves the lot, we are extending our vulnerability to the world's petrocracies by two more decades.
- The US is blessed with huge reserves of coal, natural gas and biomass but the gasoline-only car does not permit any of those to compete. It drinks only oil. (Gal Luft, "Oil Isn't Cocoa", Big Peace, February 22, 2011)

Flex or Open Fuel Vehicle Standard

- Legislation in Congress would establish an open fuel standard to allow any mixture of gasoline, ethanol, methanol, or diesel to be used in any automobile sold in America
- China now supplies 9% of its transportation fuel from methanol
- Brazil gets 96% of its transportation fuel from non-petroleum sources—US car companies sell cars to Brazil that are required to have an open fuel standard
- Flex fuel mod cost \$70 per car or less than \$2 per month over three years.

Alternatives...Choice....

- This is why Congress' top priority should be to shield the economy from upcoming oil shocks. The simplest way of doing so is to open the fuel market to competition by requiring that new automobiles are able to run on other fuels in addition to gasoline. The current global spot for the alcohol fuel methanol made from natural gas is \$1.28 per gallon, without any subsidy, equivalent in energy terms to gasoline at \$2.33 per gallon. Methanol from coal is also very economic. Indeed, there are fuels that are not only cheaper than gasoline on a per mile comparison but can also be made from America's domestic resources. Why shouldn't our cars be able to run on them? (Gal Luft, Big Peace, February 22, 2011)

The Defense Budget: Prospects and Realities

- Part I: Some Assumptions.....
- Part II: Some Spending Alternatives (30% of the Budget)
- Part III: Some Perspectives

Total Revenue Assumptions

Individual income taxes	899	956	1,145	1,339
Corporation income taxes	191	198	327	397
Social Security payroll taxes	632	559	660	732

Total Revenue Increase Assumptions, FY10-13

- ***FY10: \$2,163 billion***
- ***FY11: \$2,174 billion +9\$B***
- ***FY12: \$2,609 billion +\$435***
- ***FY13: \$2,959 billion +\$350***

• The Previous record increase in annual revenue to the US Government was \$225billion in 1998-9 and 2005-6

Spending Impasse: Issues

- **House Passed CR Spends \$61 Billion Less Than Last Year, \$99.6 Billion Less Than President Requested...**
- **But, FY11 proposed spending by administration is \$200+ billion more than FY08**
- **HR1 is \$96 billion more than FY08 but \$100 billion less than FY11**
-

Total Discretionary Spending Trends

- **Total Spending:**
- **FY08: \$932.8 Billion**
- **FY10: \$1,089.8 Billion**
- **FY11: \$1,128.1 (Proposed by Administration)**
- **FY11 \$1028.5 (Alternative Proposed by House)**

Defense and Non-Defense \$

- *This is -\$99.6B FY11 vs. FY11, -\$61B FY11 vs. FY10; and +\$96B FY11 vs. FY08.*
 - *BY COMPARISON, DEFENSE SPENDING PROPOSED BY HR#1 FOR FY11 IS +\$8 BILLION MORE THAN FY10 and \$57 billion more than FY08.*

Projected Defense Spending

FY	Strategic Forces	General Purpose Forces	C3 Intel & Space	Mobility Forces	Guard & Reserve Forces	Research & Development	Central Supply	Training Medical & Other	Admin & Assoc.	Support & Other Nation	Special Ops Forces	Undist.	Total
2000	6,927	102,680	33,637	11,797	23,275	27,819	20,030	47,594	8,406	987	3,683	122	286,958
2001	6,800	114,178	36,820	10,918	24,802	30,060	18,753	51,816	9,057	783	3,070	3	307,060
2002	8,239	125,054	40,021	14,100	26,483	35,772	20,827	56,134	22,399	1,259	5,024	66	355,378
2003	8,162	173,523	56,173	16,401	29,898	40,236	26,273	62,191	11,440	1,968	6,758		433,024
2004	8,795	183,138	58,160	14,693	30,013	45,595	26,931	64,033	15,639	2,756	6,511	-213	456,052
2005	9,025	197,639	63,602	16,680	30,671	50,017	26,133	63,489	29,269	9,777	6,424	-249	502,476
2006	9,737	219,981	69,648	18,270	35,657	52,580	28,692	75,764	10,024	7,759	8,301	-141	536,272
2007	10,027	263,320	74,873	19,637	38,862	55,033	25,717	68,687	20,310	17,117	10,908	-620	603,872
2008	10,683	299,231	84,115	22,883	40,952	54,091	30,347	72,646	32,115	9,963	12,252	2,776	672,055
2009	9,827	289,538	88,232	19,470	40,125	54,916	27,780	83,560	29,654	10,508	12,251		665,861
2010	12,619	283,036	89,366	16,275	42,081	53,169	30,591	83,699	29,099	12,218	12,218	783	665,154
2011	11,083	214,253	83,944	12,705	41,473	48,156	23,934	84,023	16,611	2,358	10,361	192	549,093
2012	10,736	219,313	87,157	12,672	41,315	49,205	26,594	87,662	17,982	2,313	11,392		566,341
2013	10,390	228,186	85,116	14,189	42,666	48,887	27,205	90,416	19,140	2,298	13,267		581,760
2014	10,883	234,926	86,906	15,622	44,134	46,825	28,127	92,890	20,941	2,426	14,071	-1	597,750
2015	12,457	241,852	88,996	16,222	45,862	45,046	29,445	96,322	21,446	2,546	15,822		616,016

More Budget Numbers

- *But in FY08, defense was 49% of discretionary spending but by 2011 got 29% of the increase of \$196 billion in overall discretionary spending proposed by the administration**
- *Numbers taken from HAC Press Release of February 18, 2011*

Summary and Conclusions

- 1. The potent combination of geography, population growth, missile technology proliferation and social networks...
- 2. Defend against geographic reach of missiles and deploy missile defenses...to reduce leverage and coercion of state sponsors of terror
- 3. Acquire precision-guided systems that have shown great promise in Gaza, Lebanon, Afghanistan and Iraq....to help deal with nation-state sponsored terrorism
- 4. Adopt Grid Protection Against EMP Attack....
- 5. Adopt Open Fuel Standard to Introduce Energy Choice, to remove the cash flow to the terrorist sponsoring exchequer...